

DIRECT TESTIMONY

OF

KEVIN B. CARDWELL

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1 Q. Please state your name and business address.

2 A. Kevin B. Cardwell, 411 Fayetteville Street Mall, Raleigh, North Carolina.

3 Q. What is your position with Carolina Power & Light Company?

4 A. I am the Manager - Fossil Fuel Department in the Power Operations Group.

5 Q. Please state your educational background and experience.

6 A. I have an MBA degree from the University of Louisville and a B.S. degree in

7 Commerce from the University of Louisville. From 1974 until early 1993, I was with

8 Louisville Gas and Electric Company (LG&E), a public utility. I held various

9 positions at LG&E, last as Manager-Coal Supply Department. From early 1993 to

10 mid 1996, I formed and operated Strategic Energy Services, Inc., a management

11 consulting firm for fuel and transportation procurement/management. I joined

12 Carolina Power & Light in mid 1996 as Manager - Fossil Fuels.

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to show the reasonableness of the Company's fossil

15 fuel purchasing practices and to present fuel cost data for the period January, 1996

16 through December, 1996.

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1 Q. During the period January, 1996 through December, 1996, how much coal did the
2 Company have under contract, and what were the spot coal requirements for this
3 period?

4 A. The Company had contracts for 7,427,600 tons of coal for shipment from January
5 1996 through December, 1996 and spot orders for 3,558,306 tons of coal for the
6 same period.

7 Q. How much contract coal and spot coal did the Company receive from purchase orders
8 issued during the test period?

9 A. The Company received 7,124,610 tons of contract coal at an average cost of
10 182¢/MBtu and 3,486,004 tons of spot coal at an average cost of 146¢/MBtu.

11 Cardwell Exhibit 1 is a chart summarizing the results of purchase orders for
12 January 1996 through December 1996.

13 Q. What was the Company's inventory of coal at the end of December 1996?

14 A. The coal inventory as of December 31, 1996 was 1,306,661 tons, which would
15 provide about 32 days' generation based on an 85 percent fossil steam capacity
16 factor.

17 Q. Please describe Cardwell Exhibit No. 2.

18 A. Cardwell Exhibit No. 2 shows the quality of coal received each month during the
19 period.

20 Q. What was the average nuclear fuel cost for the generation of electricity during the
21 period January 1996 through December 1996?

22 A. The average cost of nuclear fuel consumed in the generation of electricity during that
23 period was 45¢/MBtu.

1 Q. During the period January 1996 through December 1996, how many gallons of No.
2 fuel oil did the Company receive and at what cost?

3 A. The Company received a total of 11,284,723 gallons of No. 2 fuel oil at an average
4 of 66¢/gallon (475¢/MBtu) for that period.

5 Q. What was the Company's closing oil inventory on December 31, 1996?

6 A. The Company's closing oil inventory on December 31, 1996 was 5,585,746 gallons
7 of No. 2 fuel oil.

8 Q. During the period January 1996 through December 1996, how many gallons of
9 propane did the Company receive and at what cost?

10 A. The company did not receive any propane during that period.

11 Q. What was the Company's closing propane inventory on December 31, 1996?

12 A. The Company's closing propane inventory on December 31, 1996 was 657,099
13 gallons.

14 Q. How much natural gas did the Company burn during the period January, 1996
15 through December 1996?

16 A. The Company burned 561,756 MCF of natural gas for the period at a cost of
17 336¢/MBtu.

18 Q. Were the inventory levels maintained during the test period appropriate and were
19 your fuel procurement practices reasonable and prudent?

20 A. Yes. The inventory levels ensured an adequate supply of fuel to meet our customers'
21 electrical requirements during this period and the fuel was secured at a reasonable
22 cost utilizing prudent procurement practices and procedures.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

CAROLINA POWER & LIGHT COMPANY

ANALYSIS OF COAL PURCHASES FOR JANUARY 1996 THROUGH DECEMBER 1996

	ORDERED				RECEIVED				VARIANCE			
	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu	Tonnage	Price \$/Ton	Quality Btu/Pound	Cost c/MBtu
Spot	3,558,306	23.55	12,283	145.74	3,486,004	23.73	12,345	145.79	(72,302)	.18	62	.05
Contract	7,427,600	34.21	12,345	180.92	7,124,610	34.59	12,366	182.19	(302,990)	.38	21	1.27
Total	10,985,906	30.76	12,325	169.53	10,610,614	31.02	12,359	170.23	(375,292)	.26	34	.70

Data as of January 21, 1997

CAROLINA POWER & LIGHT COMPANY
ANALYSIS OF QUALITY OF FUEL AS RECEIVED

<u>Month</u> (a)	<u>Type</u> (b)	<u>Percent Moisture</u> (c)	<u>Percent Ash</u> (d)	<u>Percent Sulfur</u> (e)	<u>Btu/Pound</u> (f)
January 1996	Contract Coal	6.86	10.81	.85	12,615
	Spot Coal	7.03	9.56	1.07	12,403
February 1996	Contract Coal	6.11	10.91	.84	12,452
	Spot Coal	6.69	10.17	1.00	12,428
March 1996	Contract Coal	6.36	11.05	.86	13,086
	Spot Coal	6.57	10.41	1.12	12,429
April 1996	Contract Coal	6.05	10.71	.93	12,592
	Spot Coal	5.63	10.33	1.24	12,517
May 1996	Contract Coal	6.34	10.52	.90	12,479
	Spot Coal	6.48	9.35	1.09	12,499
June 1996	Contract Coal	5.70	10.94	.89	12,520
	Spot Coal	6.01	10.21	1.12	12,393
July 1996	Contract Coal	6.26	10.91	.86	12,372
	Spot Coal	5.89	9.99	1.19	12,429
August 1996	Contract Coal	6.25	11.41	.84	12,237
	Spot Coal	6.52	10.91	1.05	12,204
September 1996	Contract Coal	6.02	12.01	.81	12,250
	Spot Coal	6.46	11.12	.98	12,265
October 1996	Contract Coal	5.90	11.73	.82	12,281
	Spot Coal	6.23	11.04	1.09	12,214
November 1996	Contract Coal	6.54	11.18	.82	12,322
	Spot Coal	6.36	10.91	.97	12,265
December 1996	Contract Coal	6.51	10.99	.82	12,311
	Spot Coal	6.46	11.12	.98	12,187